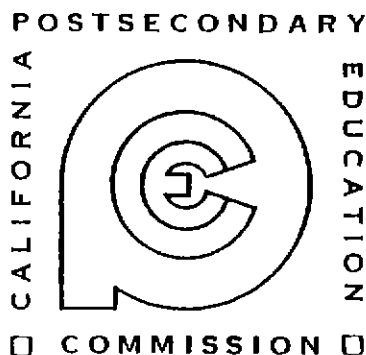
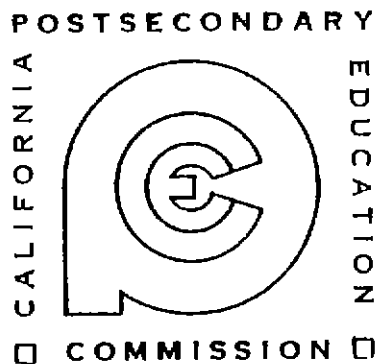


**PRELIMINARY REPORT
ON FACULTY SALARIES
AND FRINGE BENEFITS
1985-86**



**CALIFORNIA POSTSECONDARY
EDUCATION COMMISSION**

PRELIMINARY REPORT ON FACULTY SALARIES
AND FRINGE BENEFITS
1985-86



CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
1029 Twelfth Street, Sacramento, California 95814

Commission Report 84-32

December 1984

CONTENTS

	<u>Page</u>
INTRODUCTION	1
Comparison Institutions	1
Collective Bargaining at the California State University	2
Review of Methodology	3
ONE FACULTY SALARIES	5
Budget Act Appropriations	5
University of California	5
California State University	6
Recent Trends in Average Faculty Salaries	6
University of California	6
TWO: FRINGE BENEFITS	9
University of California	10
APPENDIX A: Senate Concurrent Resolution No 51, 1965 General Session, and House Resolution 250, 1964 First Extraordinary Session	13
APPENDIX B: Methodology Employed by the California Post- secondary Education Commission for Preparation of the Annual Reports on University of California and California State University Faculty Salaries and Cost of Fringe Benefits	17
REFERENCE	29

TABLES

	<u>Page</u>
1. Projected 1985-86 Difference in Faculty Salaries Excluding Health Sciences and Law, University of California and Its Comparison Institutions	8
2. Average University of California Faculty Fringe Benefits, Employer Contributions Effective January 1, 1985	11
3. Projected 1985-86 Difference in Average Faculty Fringe Benefits, Excluding Health Sciences and Law, University of California and Its Comparison Institutions	12
4. Differences Between the Commission's Preliminary and Final Salary Reports in Projecting the Salary Lag or Lead of the University of California and the California State University in Relation to Their Respective Comparison Groups, 1978-79 Through 1984-85	13
5. Annual Percentage Increases in Average All-Rank Salaries, Monetary and Real, at Approximately 1900 Institutions of Higher Education, and in the Consumer Price Index, 1978-79 Through 1984-85	14
6. Annual Percentage Increases in Monetary Salary at Approximately 1900 Institutions of Higher Education and in the Consumer Price Index, 1972-73 Through 1983-84	16

FIGURES

1. Nine-Month All-Ranks Average Faculty Salaries at the University of California and Its Eight Comparison Institutions, 1974-75 Through Projected 1985-86	7
2. Difference in Nine-Month All-Ranks Average Faculty Salaries Between the University of California and Its Comparison Institutions, 1974-75 Through Projected 1985-86	7

INTRODUCTION

Pursuant to Senate Concurrent Resolution No. 51 of the 1965 General Legislative Session (reproduced in Appendix A), the Coordinating Council for Higher Education and subsequently the Postsecondary Education Commission has annually submitted to the Governor and the Legislature an analysis of faculty salaries and fringe benefits at the University of California and the California State University.

The initial methodology for the preparation of the report was developed jointly by the Coordinating Council, the two segments, the Department of Finance, and the Office of the Legislative Analyst. In 1977, a technical advisory committee consisting of representatives from these groups reviewed the method employed during the previous decade. Based on the advice of that committee, in June of that year the Commission adopted the revised methodology which is reproduced in Appendix B. These revisions related largely to the computation of fringe benefits and the number of reports to be prepared.

In accordance with the revised procedure, Commission staff transmits two reports each year to the Governor, the Legislature, and appropriate State officials:

- o The first, prepared in the fall on the basis of preliminary data, is designed primarily to assist the Department of Finance in preparing salary recommendations for the Governor's Budget that is presented to the Legislature in January.
- o The second, prepared in the spring, updates the data of the preliminary report, adds information on faculty salaries in the California Community Colleges and medical faculty salaries in the University, and provides comparative information on salaries for selected administrative positions within the University and State University. The second report is useful to legislative fiscal committees during budget hearings.

Both reports compare faculty salaries and the cost of fringe benefits in California's public universities with those offered by groups of comparison institutions that meet certain criteria and agree to exchange salary and fringe benefit data.

COMPARISON INSTITUTIONS

The comparison institutions used in the development of the current report are the same that have been used since 1974:

For the University of California:

1. Cornell University
2. Harvard University
3. Stanford University
4. State University of New York at Buffalo
5. University of Illinois
6. University of Michigan
7. University of Wisconsin-Madison
8. Yale University

For the California State University:

1. Bowling Green State University
2. Illinois State University
3. Indiana State University
4. Iowa State University
5. Miami University (Ohio)
6. Northern Illinois University
7. Portland State University
8. Southern Illinois University
9. State University of New York at Albany
10. State University of New York College at Buffalo
11. Syracuse University
12. University of Colorado
13. University of Hawaii
14. University of Nevada
15. University of Oregon
16. University of Southern California
17. University of Wisconsin-Milwaukee
18. Virginia Polytechnic Institute and State University
19. Wayne State University
20. Western Michigan University

For brevity, the University's comparison institutions are often referred to as the "Comparison Eight" and those of the State University as the "Comparison Twenty."

COLLECTIVE BARGAINING AT THE CALIFORNIA STATE UNIVERSITY

After six months of bargaining and several days of mediation, the State University and the California Faculty Association have failed to reach agreement on salary and fringe benefit increases. Both sides now appear to be preparing for fact finding. The Commission does not wish to intervene in any way in the collective bargaining process nor imply how allocated funds are to be used. Therefore, no faculty salary or fringe benefit comparisons between the State University and its comparison institutions are made in this report. After faculty salary and fringe benefit issues are resolved by the State University and Faculty Association, the Commission staff will prepare an addendum to this report as soon as data on average salary and

fringe benefits, by rank, become available from the State University. Meanwhile, faculty salary schedules for the various ranks remain the same as they were in 1983-84.

REVIEW OF METHODOLOGY

A Technical Advisory Committee, consisting of representatives of the University and State University, the Department of Finance, the Office of the Legislative Analyst, and the Commission, is currently reviewing the methodology used in preparing the salary reports. In the event a new methodology is agreed on by the Spring 1985, it will first be used for the 1986-87 reporting cycle.

ONE

FACULTY SALARIES

For the second consecutive year, faculty salary increases at the University and the State University did not become totally effective with the beginning of the State's 1984-85 fiscal year on July 1. Instead, the budget adopted by the Legislature and signed by the Governor provided specific dollar amounts to the Regents and the Trustees that became available on July 1, 1984 and additional amounts that will become available on January 1, 1985. These sequential increases in appropriations for faculty compensation pose a problem for comparing this year's faculty salaries at the University and State University with their respective comparison groups of institutions. Unless stated otherwise, all tables, charts, and calculations in this report are based on predicted salaries at the University that will apply after January 1, 1985. These figures imply that these average salaries existed throughout the entire 1984-85 fiscal year, when, in reality, actual 1984-85 average faculty salaries are somewhat lower

BUDGET ACT APPROPRIATIONS

The Budget Act for 1984-85 provided salary increase funds to the University and to the State University as follows, subject to collective bargaining negotiations.

University of California

1. Sufficient funds for up to a 10 percent compensation increase for the 1984-85 fiscal year (effective July 1, 1984) for all employees of the University whose compensation, or any portion thereof, is chargeable to the General Fund, to be allocated by executive order of the Department of Finance to the Regents of the University of California in accordance with salary and benefit schedules established by the Regents of the University; and
2. \$10,940,000 for a 4 percent faculty salary increase effective January 1, 1985.

The University granted faculty an across-the-board salary increase of 9.2 percent and a 0.8 percent increase in fringe benefits effective July 1, 1984. It will grant an additional 3.8 percent faculty salary increase and an additional 0.2 percent for fringe benefits effective January 1, 1985, that will be weighted toward the assistant professor rank -- the customary entry level for University faculty.

The purpose for increasing assistant professors' salaries more than other ranks is to enhance recruitment of new faculty. While no faculty member will receive less than a 12 percent increase in compensation, the first step on the salary schedule for assistant professors will increase by 18 percent.

The net result of delaying a portion of the University's funds for compensation increases to January 1 is that average faculty salaries will increase by 11.1 percent (9.2 + 1.9 percent) in 1984-85. The sequential increases will cumulatively provide total faculty compensation increases of 14.0 percent after January 1, 1985 -- 13.0 percent in salary, and 1.0 percent in fringe benefits. These final amounts are used in this report for comparisons because these levels become the base budget for 1985-86

California State University

1. Sufficient funds for up to a 10 percent general compensation increase for all employees of the State University for the 1984-85 fiscal year (effective July 1, 1984), to be allocated by executive order of the Department of Finance to the Trustees of the California State University in accordance with approved memoranda of understanding or, for employees excluded from collective bargaining in units not yet certified or in units that are certified but are not bargaining for a 1984-85 memorandum of understanding as of July 1, in accordance with salary and benefit schedules established by the Trustees of the California State University.
2. \$1,900,000 for increases in faculty compensation effective July 1, 1984 designed to permit the State University to begin to address its hard-to-hire problems.
3. \$2,920,000 for a special 1 percent faculty salary increase effective January 1, 1985.

RECENT TRENDS IN AVERAGE FACULTY SALARIES

University of California

Figure 1 shows the level of the all-ranks average faculty salaries at the University and its comparison eight institutions for the current year, ten prior years, and projections into 1985-86. As noted earlier, the average salary indicated for the University in 1984-85 will not be attained until after January 1, 1985.

Figure 2 shows the annual differences between average faculty salaries in the University and its comparison institutions over the same time interval.

Nine-month all-ranks average salaries at the University exceed the adjusted average of the comparison eight in 1984-85 (this year) by 1.5 percent, or \$697 per faculty member. During the prior ten years, average University faculty salaries were ahead of the average for the comparison eight only once -- in 1980-81 -- by \$262. Its salaries lagged behind its comparison institutions during the other nine years -- in three years at amounts less than \$500, in another three at between \$600 to \$900, and in three more in excess of \$1,000, with the largest lag (\$3,346) occurring in 1982-83. The University's salary advantage this year is the highest in the last two decades of records.

FIGURE 1 *Nine-month All-Ranks Average Faculty Salaries at the University of California and Its Eight Comparison Institutions, 1974-75 Through Projected 1985-86*

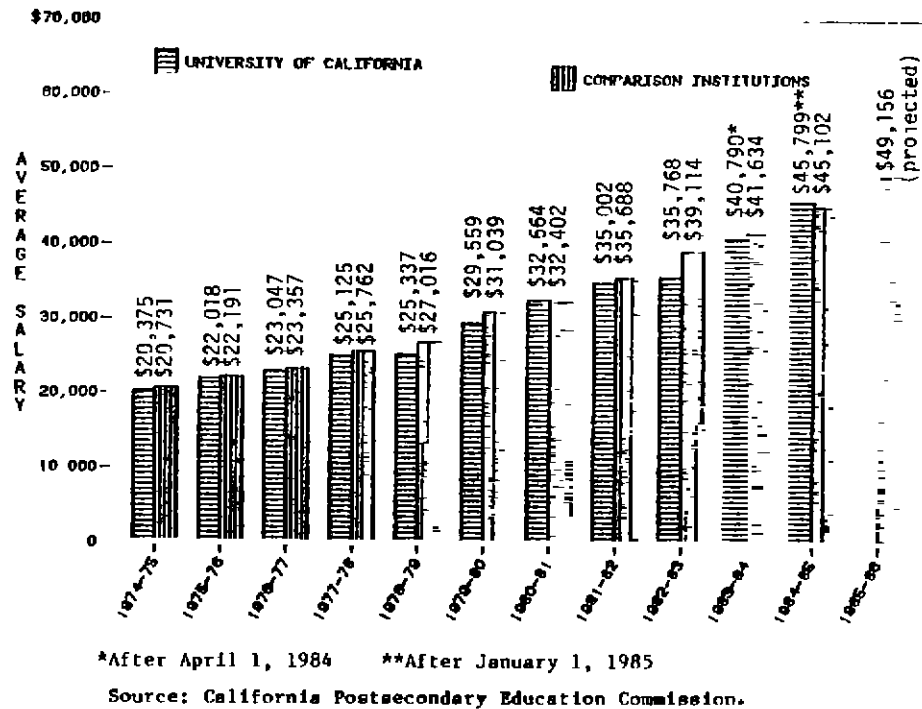


FIGURE 2 *Difference in Nine-Month All-Ranks Average Faculty Salaries Between the University of California and Its Comparison Institutions, 1974-75 Through Projected 1985-86*

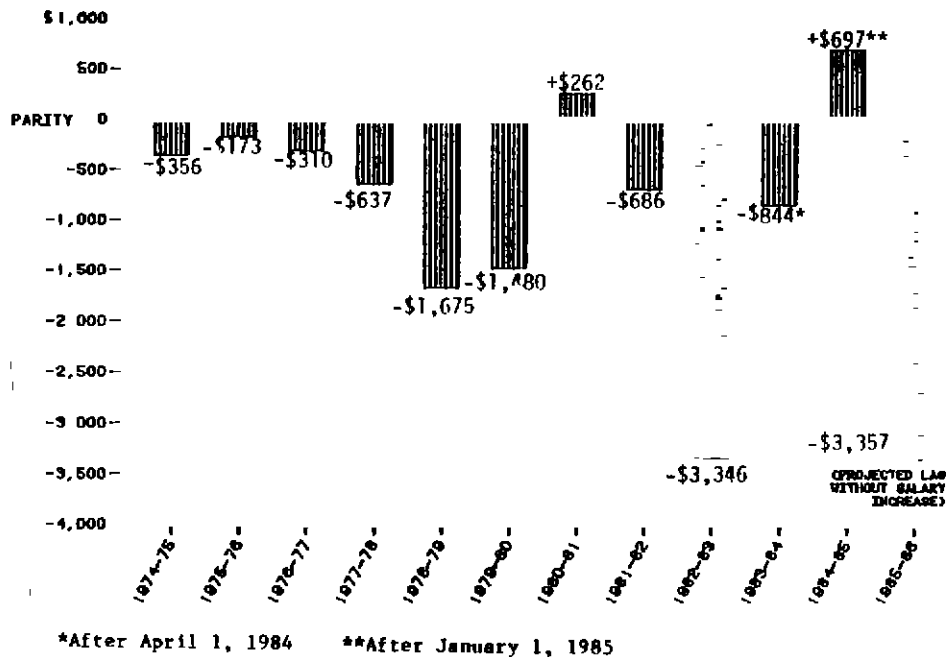


Table 1 provides the basic information from which projections for the salary levels at each rank at the comparison institutions are developed. Data for 1978-79 and 1983-84 for each rank at the comparison eight are projected to 1985-86 at the compound annual growth rate and adjusted to the University of California staffing pattern. The University data include all salary adjustments that have been, and will be, made in 1984-85. These data indicate the average faculty salary increase needed by the University to keep its average equal to the average of the comparison institutions in 1985-86 is 7.3 percent, according to the methodology by which this report is developed.

Without such an increase, average University faculty salaries will lag behind its comparison institutions by an estimated average of \$3,357.

TABLE 1 *Projected 1985-86 Difference in Faculty Salaries Excluding Health Sciences and Law, University of California and Its Comparison Institutions*

	<u>Professor</u>	<u>Associate Professor</u>	<u>Assistant Professor</u>	<u>Average</u> ¹
Comparison 8 Institutions:				
1983-84 Average Salaries	\$48,173	\$32,563	\$26,851	
1978-79 Average Salaries	32,383	21,943	17,447	
1985-86 Projected Salaries ²	56,467	38,133	31,905	\$49,156
University of California				
1984-85 Average Salaries ³	51,041	33,899	28,954	
1984-85 Average Salaries Adjusted for a 3.8% mid-year range adjustment	<u>52,542</u>	<u>35,113</u>	<u>30,628</u>	<u>45,799</u>
1985-86 Projected Staffing	3,174	1,005	703	4,882
Percentage Increase Needed to adjust UC 1984-85 salaries to equal the projected 1985-86 average salaries				
	7.5%	8.6%	4.2%	7.3%

1. Averages based on projected 1985-86 UC staffing pattern.
2. Compound annual growth rate over the five-year period is used for the two-year projection.
3. 1984-85 average salaries adjusted to include merit increases and promotions to be effective July 1, 1985.

Source: Office of the President, University of California.

TWO

FRINGE BENEFITS

As noted in Part One, a portion of the increased funds provided to the University and State University in 1984-85 by the Governor and Legislature for employee compensation was for fringe benefit increases. The methodology adopted by the Commission in 1977 for preparing its annual faculty salary and fringe benefit reports notes that the use of fringe benefit comparisons with other institutions can often be seriously misleading. It cites as an illustration the fact that if an employer adds to a pension fund to improve its actuarial integrity, it increases the cost of the benefit package but does not result in any new or additional benefits.

The University's budgets for 1983-84 and 1984-85 present two contrasting examples of this problem. In 1983-84, the State deferred its \$101.4 million contribution to the University's retirement system (UCRS). While this deferral did not affect employee retirement benefits, it nevertheless represented a substantial one-year decrease in employer cost of the University's faculty fringe benefits. In contrast, for 1984-85 the Legislature deleted 14.3 million for increased retirement benefits and made the 1984-85 contribution to UCRS of \$64.8 million contingent on a certain level of General Fund resources. The Governor deleted this contingent appropriation and indicated his support for the outright restoration of the 1984-85 retirement contribution. As a result, AB 507 was amended, passed, and signed by the Governor which provides \$77.1 million to UCRS, of which \$64.8 million is to be used to maintain actuarial soundness of the system and \$12.3 million is to be used to improve annuitants' benefits and reduced employee contributions to the system. While this one-time increase in funds for UCRS is substantial, it will not be reflected as a proportional increase in employer costs to the retirement system.

The only result of these efforts that will appear in national surveys of salaries and benefits (such as those conducted by the American Association of University Professors, John Minter Associates, and others) will be the 1 percent decrease in employee contributions in 1984-85, even though the amount of funds moving out of and in to the system has been several multiples of that amount.

On several occasions, the Commission has responded to requests from the Legislature or Legislative Analyst for the cost of conducting a study of fringe benefits. In November 1981, it reported 18 possible approaches to studying faculty fringe benefits, assigned costs to the major alternatives, and proposed one of them as the most feasible and effective for future use. In response to a request from the Legislative Analyst, it updated these costs in 1983-84 to approximately \$300,000 to \$350,000. These costs included essential visits to each of the campuses of the comparison institutions by an actuarial consultant. Supplemental Budget Language of both the Senate and Assembly for 1984-85 calls for an expansion of the Commission's final annual report on salaries and fringe benefits for 1985-86 as follows:

The UC and the CSU are directed to request from their faculty comparison group universities the following data on retirement benefits in addition to data currently collected.

1. Of the average amount identified for fringe benefits, the average dollar amount related to contribution for retirement.
2. The average contribution needed to fund the "normal costs" of the retirement system.
3. The average employee contribution to the retirement system.

The CPEC is directed to include in its Annual Report on Faculty and Administration Salaries a table that compares the normal cost less the employee contribution of the UC and CSU retirement systems and the same data for their respective comparison university groups. The CPEC report shall also include data on the percentage of reported fringe benefits that are related to retirement for UC, CSU, and their respective comparison groups

It is further the intent of the Legislature that UC and CSU attempt to collect and provide information on actual benefits in addition to reported cost data for their comparison institutions.

The University and State University were advised about this request on August 10, 1984, and asked to respond to the Commission accordingly by no later than January 4, 1985. In the interim this preliminary report confines itself to merely a projected difference in the total cost of benefits at the University and its comparison institutions. While the final report will add some detail about the costs of various benefit programs, it may not necessarily contribute to increased knowledge about the quality of these benefits. In addition, the "flexible benefit" or "cafeteria" plans adopted by some comparison institutions have complicated segmental and Commission attempts to compare the costs of fringe benefits between the segments and their respective comparison institutions.

UNIVERSITY OF CALIFORNIA

Table 2 shows the average employer contributions to provide the eight components of fringe benefits for University faculty as of January 1, 1985. Four of the benefits -- dental, health, life and disability insurance -- are fixed dollar amounts for each employee; the other four -- retirement/FICA, unemployment, worker's compensation, and health and dental insurance for annuitants -- are a function of salary. The result is that employer costs of benefits average \$2,741 plus 16.44 percent of salary.

Average costs to the University to provide these benefits by academic rank for 1984-85 are displayed in Table 3 on page 12. This table also provides base data for the University's comparison eight institutions for 1978-79 and 1983-84, with a projection to 1985-86. The total fringe-benefit package for faculty at the University costs on the average 22.4 percent of salary. An increase of 8.3 percent in the employer cost of benefits (1.4 percent of the

projected average salary) should accompany the 7.3 percent increase in average faculty salaries in 1985-86, if benefits are to be brought up to the average of the comparison eight.

*TABLE 2 Average University of California Faculty Fringe Benefits,
Employer Contributions Effective January 1, 1985*

Retirement/FICA		14.55% of salary
Unemployment Insurance		.25 of salary
Worker's Compensation Insurance		.51 of salary
Health and Dental Insurance-Annuitants		1.13 of salary
Dental Insurance	\$ 319*	
Health Insurance	2,352*	
Life Insurance	16	
Non-Industrial Disability Insurance	<u>54</u>	
TOTAL	\$2,741	plus 16.44% of salary

*Effective January 1, 1985

Source: Office of the President, University of California

TABLE 3 *Projected 1985-86 Difference in Average Faculty Fringe Benefits, Excluding Health Sciences and Law, University of California and Its Comparison Institutions*

	<u>Professor</u>	<u>Associate Professor</u>	<u>Assistant Professor</u>	<u>Average</u> ¹
Comparison 8 Institutions.				
1983-84 Average Fringe Benefits ²	\$10,288	\$ 7,907	\$6,882	
1978-79 Average Fringe Benefits	6,094	4,109	3,383	
1985-86 Projected Fringe Benefits ³	12,685	10,274	9,143	\$11,679
University of California				
1984-85 Average Fringe Benefits ⁴	11,379	8,514	7,776	10,270 (22.4% of salary)
Percentage adjustment needed to make UC fringe benefits equal to the 1985-86 projected average comparison fringe benefits				+13.7%
Less (adjustment for the effect of 7.3% range adjustment):				- 5.4%
Net adjustment needed to achieve parity:				8.3% (23.8% of projected salary)

1 Average based on projected 1985-86 UC staffing pattern

2. Computed from confidential data received from comparison institutions.

3. Compound annual growth rate over the five-year period for each rank is used for the two-year projection.

4. Equivalent to an average of \$2,741.00 plus 16.44% of average salary.

Source. Office of the President, University of California.

APPENDIX A

Senate Concurrent Resolution 51, 1965 General Session, Relative to Academic Salaries and Welfare Benefits

WHEREAS, The Joint Legislative Budget Committee pursuant to House Resolution No. 250, 1964 First Extraordinary Session, has had prepared and has adopted a report of the Legislative Analyst containing findings and recommendations as to salaries and the general economic welfare, including fringe benefits, of faculty members of the California institutions of higher education; and

WHEREAS, The study of the Joint Legislative Budget Committee found that the reporting of salaries and fringe benefits as it has been made previously to the Legislature has been fragmentary and has lacked necessary consistency, with the result that the Legislature's consideration of the salary requests of the institutions of higher learning has been made unnecessarily difficult; and

WHEREAS, The report recommends that the Legislature and the Governor should receive each December 1 a report from the Coordinating Council for Higher Education, plus such supplementary information as the University of California and the California State Colleges desire to furnish independently, containing comprehensive and consistently reported information as outlined specifically in the report adopted by the Joint Legislative Budget Committee; and

WHEREAS, The reporting recommended by the committee would include essential data on the size and composition of the faculty, the establishment of comprehensive bases for comparing and evaluating faculty salaries, the nature and cost of existing and desired fringe benefits, the nature and extent of total compensation to the faculty, special privileges and benefits, and a description and measurement of supplementary income, all of which affect the welfare of the faculties and involve cost implications to the state now, therefore, be it

Resolved by the Senate of the State of California, the Assembly thereof concurring, That the Coordinating Council for Higher Education in cooperation with the University of California and the California State Colleges shall submit annually to the Governor and the Legislature not later than December 1 a faculty salary and welfare benefits report containing the basic information recommended in the report of the Joint Legislative Budget Committee as filed with the President of the Senate and the Speaker of the Assembly, under date of March 22, 1965.

House Resolution No. 250, 1964 First Extraordinary Session, Relative to
the Economic Welfare of the Faculties of the California
Public Institutions of Higher Education

WHEREAS, The Master Plan for Public Higher Education strongly recommended that every effort be made to ensure that the institutions of higher education in California maintain or improve their position in the intense competition for the highest quality of faculty members; and

WHEREAS, The Coordinating Council for Higher Education in its annual report to the Governor and the Legislature regarding level of support for the California State Colleges and the University of California recommended that funds should be provided to permit at least an additional 5 percent increase in academic salaries for the California State Colleges and the University of California; and

WHEREAS, The Trustees of the California State Colleges in their annual report to the Legislature declared that the California State Colleges are falling far behind in the face of this competition and that by 1964-65 faculty salaries will be lagging 14 to 18 percent behind those of comparable institutions; and

WHEREAS, Greatly increasing enrollments in institutions of higher education in California during the next decade will cause a demand for qualified faculty members which cannot possibly be met unless such institutions have a recruitment climate which will compare favorably with other colleges, universities, business institutions, industry, and other levels of government; and

WHEREAS, California has achieved an enviable momentum in business and industrial development, a momentum now threatened by lagging faculty salaries so that failure to maintain adequate salary scales for faculty members in California institutions of higher education would be false economy; and

WHEREAS, There have been widespread reports from the State College and University campuses that higher salaries elsewhere are attracting some of the best faculty members from the California institutions of higher education, and if such academic emigration gains momentum because of inadequate salaries, the effect will disrupt the educational processes and result in slower economic growth, followed by lower tax revenues; and

WHEREAS, The Legislature has a continuing interest in the difficult and pressing problems faced by the California institutions of higher education in attracting and maintaining outstanding faculty members in a period of stiff competition and rapid growth; and

WHEREAS, The Legislature has a continuing interest in the difficult and pressing problems faced by the California institutions of higher education in attracting and maintaining outstanding faculty members in a period of stiff competition and rapid growth; and

WHEREAS, The State's investment in superior teaching talent has been reflected in California's phenomenal economic growth and has shown California taxpayers to be the wisest of public investors, but unless the superiority in faculty quality is maintained, the contributions by the California institutions of higher education to the continued economic and cultural development of California may be seriously threatened; now, therefore, be it

RESOLVED BY THE ASSEMBLY OF THE STATE OF CALIFORNIA, That the Assembly Committee on Rules is directed to request the Joint Legislative Budget Committee to study the subject of salaries and the general economic welfare, including fringe benefits, of faculty members of the California institutions of higher education, and ways and means of improving such salaries and benefits in order that such California institutions of higher education may be able to compete for the talent necessary to provide the highest quality of education, and to request such committee to report its findings and recommendations to the Legislature not later than the fifth legislative day of the 1965 Regular Session.

APPENDIX B

Methodology Employed by the California Postsecondary Education Commission for Preparation of the Annual Reports on University of California and California State University Faculty Salaries and Cost of Fringe Benefits

Commission Resolution 17-77, June 13, 1977

Concerning the Methodology Employed for the California Postsecondary Education Commission's Annual Reports on Faculty Salaries and Fringe Benefits

- WHEREAS, The University of California and the California State University and Colleges have expressed reservations with the methodology used for the California Postsecondary Education Commission's recent reports on faculty salaries and fringe benefits, particularly with respect to the computations for fringe benefits, and
- WHEREAS, Commission staff convened a technical advisory committee consisting of representatives of the segments, the Department of Finance, and the Office of the Legislative Analyst to advise on possible revisions of the existing methodology, and
- WHEREAS, The committee met on five occasions to thoroughly review and discuss the methodology for the reports on faculty salaries and fringe benefits, not only with respect to the computations for fringe benefits, but also regarding all other aspects of the methodology, and
- WHEREAS, Based on the advice of the committee, a revised methodology has been developed by Commission staff; now therefore, be it
- RESOLVED, That the California Postsecondary Education Commission adopt the attached document entitled, Revised Methodology for the Preparation of the Annual Report on University of California and California State University and Colleges Faculty Salaries and Fringe Benefits, 1978-79, which by reference becomes a part of this resolution, and be it further
- RESOLVED, That copies of this resolution be transmitted to the Governor, the Legislature, the Department of Finance, the Office of the Legislative Analyst, the Regents of the University of California and the Trustees of the California State University and Colleges.

June 13, 1977

REVISED METHODOLOGY FOR THE PREPARATION OF THE ANNUAL REPORT ON
UNIVERSITY OF CALIFORNIA AND CALIFORNIA STATE UNIVERSITY AND COLLEGES
FACULTY SALARIES AND FRINGE BENEFITS, 1978-79

INTRODUCTION

The methodology to be employed for the 1978-79 report contains a number of substantive modifications from that adopted by the Commission in September, 1974 and used for the annual reports for 1975-76, 1976-77, and 1977-78.

In developing this new methodology, both the University of California and the California State University and Colleges conferred with a number of groups and individuals, including representatives of faculty organizations. Subsequently, each segment submitted proposals for changes in the existing methodology. These proposals were then considered by a technical advisory committee established by the Commission consisting not only of Commission staff and segmental representatives, but also of representatives of the Department of Finance and the Office of the Legislative Analyst.

In the past year, one aspect of the annual report on faculty salaries and fringe benefits was heavily criticized; namely, the treatment of the comparison of fringe benefits. This criticism centered on two major points. The first related to the recent practice of treating the cost of fringe benefits and the salary adjustments required to achieve parity as additive to produce a figure for "Total Equivalent Compensation" (TEC). This practice will be discontinued in subsequent years. The second criticism stemmed from the fact that the comparison method was limited to the employer cost of benefits (expressed as a percentage of payroll). Since there is, at best, only an indirect relationship between the value of fringe benefits to the employee and the cost of those benefits to the employer, the use of fringe benefit comparisons with other institutions can often be seriously misleading.

Although the basic difficulties with fringe benefit comparisons were noted in the report for the 1977-78 fiscal year, it is proposed that a much more definitive disclaimer be included in the text for the 1978-79 report. Clearly, a benefit package of given cost may be very different from another benefit package of the same cost when the two are defined and administered differently. By way of illustration, if the employer adds to a pension fund to improve its actuarial integrity, it increases the cost of the benefit package but does not result in any new or additional benefits.

The Commission will continue to show the results of the comparison survey regarding the cost of fringe benefits but will display it

separately from the salary data and will include a sufficiently detailed explanation of the issues so as to avoid misunderstanding or inappropriate use of the figures.

The second major change is the elimination of the "Cost of Living Adjustment for Salaries." For the past three years, an adjustment has been made in the projected salaries of the comparison institutions to account for changes in the rate of inflation. This adjustment has been widely misunderstood. It is not an escalator clause of the kind frequently found in collective bargaining agreements; it is an index only of changes in the rate of inflation and not a measure of inflation itself.

The other changes are essentially technical in nature. To date, all ranks average salary and fringe benefit projections have been made on the basis of prior year (for the preliminary report) and current year (for the final report) segmental staffing patterns. Since these elements of compensation are implemented in the budget year, it is desirable to establish a staffing pattern for that year. This will be done by the University of California for the 1978-79 report and by the California State University and Colleges beginning in 1979-80.

The final change will affect only the computation of fringe benefits for the California State University and Colleges. That system previously based its fringe benefit projections on the assumption that no salary increase would be granted. Because an increase in salary automatically increases applicable fringe benefits, a degree of distortion occurs. The University of California uses a system whereby a salary increase is computed first, the automatic increases in fringe benefits resulting from that increase accounted for, and the fringe benefits calculated after this accounting. The Commission believes the latter approach to be more reasonable and has therefore adopted it for both segments.

METHODOLOGY

The procedures to be employed for the 1978-79 budget year and in subsequent years are as follows:

A. NUMBER AND TIMING OF REPORTS

Two reports will be prepared each year. The first report, based on preliminary data, will be submitted to the Department of Finance in November. The final report, based on the most current data, will be submitted to the Legislative Budget Committee in April. In order to meet these submission dates, the University of California and the California State University and Colleges will forward data on comparison institutions and segmental faculty salaries to Commission

staff by mid-October for the preliminary report and by late February for the final report.

B. PRINCIPLE OF PARITY

The report will indicate what adjustments would be needed for the forthcoming year for salaries and costs of fringe benefits for University of California and California State University and Colleges' faculty to achieve and maintain rank-by-rank parity with such salaries and costs of fringe benefits provided faculty in appropriate comparison institutions. A separate list of comparison institutions will be used by each of the California segments of higher education. The report will separate calculations and displays of data related to percentage increases required for parity in salaries from those related to fringe benefit costs.

C. COMPARISON INSTITUTIONS¹

Comparison institutions for the University of California will be:

Cornell University
Harvard University
Stanford University
State University of New York at Buffalo
University of Illinois
University of Michigan at Ann Arbor
University of Wisconsin at Madison
Yale University

Comparison institutions for the California State University and Colleges will be:

East

State University of New York at Albany
State University of New York College at Buffalo
Syracuse University
Virginia Polytechnic Institute and State University

West

University of Southern California
University of Hawaii
University of Nevada
University of Oregon
Portland State University

1. If any institution is omitted for any reason, a replacement will be selected based upon the established criteria by Commission staff in mutual consultation with the segments, the Department of Finance, and the Legislative Analyst. The Attachment indicates the criteria for selection of the comparison institutions.

Other

University of Colorado
Illinois State University
Northern Illinois University
Southern Illinois University
Indiana State University
Iowa State University
Wayne State University
Western Michigan University
Bowling Green State University
Miami University (Ohio)
University of Wisconsin at Milwaukee

D. FACULTY TO BE INCLUDED AND EXCLUDED

The faculties to be included in the comparisons are those with full-time appointments at the ranks of professor, associate professor, assistant professor, and instructor, employed on nine and eleven month (prorated) appointments, (both regular and irregular ranks as appropriate), with the exception of faculties in the health sciences, summer sessions, extension programs and laboratory schools, provided that these faculties are covered by salary scales or schedules other than that of the regular faculty. At the rank of instructor, full-time equivalent faculty are used because of the preponderance of part-time appointments at this rank.

The faculty members to be included are those assigned to instruction (regardless of the assignments for research or other university purposes), department chairmen (if not on an administrative salary schedule), and faculty on salaried sabbatical leave.

E. COMPUTATION OF AVERAGE SALARIES AND COST OF FRINGE BENEFITS

For each academic rank within the California State University and Colleges' comparison groups, the total actual salary dollars for the combined group is divided by the number of faculty within the rank to derive average salaries by rank for their comparison institutions as a whole. Average costs of fringe benefits will be computed in a similar manner.

For the University of California's comparison groups, the average salary by rank is obtained for each comparison institution. The single average salary (for each rank) for the comparison group is then calculated by adding the average salaries at the eight comparison institutions and dividing by eight, thereby giving equal weight to each institution regardless of the number of faculty. The same procedure should be used to compute the cost of fringe benefits.

F. FIVE-YEAR COMPOUND RATE OF SALARY AND FRINGE BENEFIT GROWTH

For the preliminary report, a five-year compound rate of change in salaries and fringe benefits at each rank at the comparison institutions will be computed on the basis of actual salary and fringe benefit data of the preceding year and of the prior five years.

In obtaining compound rates of change at the comparison institutions, each segment will compute the average salary and fringe benefit costs by rank for their respective comparison institution groups as specified in Section E above. Each will then calculate the annual compound growth rate changes in average salaries and fringe benefit costs for each rank (over the five-year period) at their respective comparison institutions. These rates of change will then be used to project average salaries and costs of fringe benefits for that rank forward for two years to the budget year.

The same procedure will be used in producing the final report, except that the base year for the comparison institutions will be moved forward one year, permitting the use of a one-year projection rather than the two-year projection necessary in the preliminary report. The California segments will use actual current salary and fringe benefit data as reported by the comparison institutions rather than budgeted figures.

G. ALL-RANKS AVERAGE SALARY AND FRINGE BENEFIT COSTS

Average all-ranks average salaries and fringe benefit costs projected for the budget year will be calculated for each segment, using the average salaries and fringe benefits by rank projected for the budget year for the comparison groups and the staffing pattern in the appropriate California segment. The California State University and Colleges will use the current year staffing pattern while the University of California will use a staffing pattern projected for the budget year. These all-ranks average salary and fringe benefit amounts for the budget year constitute the salaries and fringe benefits to be provided to the corresponding California segment for that segment to achieve parity, rank-by-rank, with its comparison group. The average all-ranks salaries and fringe benefits thus projected to the budget year for each California segment will then be compared with the current all-ranks average salaries and fringe benefits for that segment to determine the percentage increase required by the segment to achieve parity. For the 1978-79 report, the California State University and Colleges will modify the percentage difference (to 1/10th of a percentage point) to account for merit increases, promotions, and faculty turnover. This adjustment will not be necessary for the University of California since the projection of the staffing pattern into the budget year will account for these adjustments automatically. In subsequent years, the California State University and Colleges will use the same procedure as the University of California.

H. SUPPLEMENTARY INFORMATION

The Commission will prepare supplementary tables containing five years of trend data, with the data for the most recent year supplied by the segments.

1. Number of full-time faculty by rank;
2. Number and percent of new and continuing full-time faculty with the doctorate by rank;
3. Number and percent of full-time faculty with tenure or security of appointment by rank;
4. Separations of full-time faculty with tenure or security of appointment by rank;
5. Destination of faculty who resign, by rank (indicating the name of the institution for those faculty remaining in higher education);
6. Sources of recruitment by rank;
7. Faculty promotional patterns.

ATTACHMENT

CRITERIA FOR SELECTION OF COMPARISON INSTITUTIONS

The following criteria will be used to select comparison institutions for the University of California:

1. Each institution should be an eminent major university offering a broad spectrum of undergraduate, graduate (Masters and Ph.D.), and professional instruction, and with a faculty responsible for research as well as teaching.
2. Each institution should be one with which the University is in significant and continuing competition in the recruitment and retention of faculty.
3. Each institution should be one from which it is possible to collect salary data on a timely, voluntary and regular basis. (Not all institutions are willing to provide their salary data, especially in the detail required for comparison purposes.)
4. The comparison group should be composed of both public and private institutions.

In selecting these institutions, stability over time in the comparison institutions group is important to enable the development of faculty salary market perspective, time serious analysis, and the contacts necessary for gathering required data.

The following criteria will be used for selection of comparison institutions for the California State University and Colleges. The institutions selected according to these criteria are those which have approximately the same functions with regard to undergraduate and graduate instruction, and with which the California State University and Colleges compete for faculty.

1. General Comparability of Institutions

The expectations of faculty at the comparison institutions should be relatively similar to those prevailing at the California State University and Colleges. Consequently, the comparison institutions should be large institutions that offer both undergraduate and graduate instruction. Excluded from consideration under this criterion were.

- a. Institutions with less than 300 faculty members;

- b. The 20 institutions that awarded the greatest number of doctoral degrees during the ten-year period, 1959-60 through 1968-69. (These 20 institutions awarded nearly half of all doctoral degrees awarded in the U.S. during this period);
 - c. Community Colleges and colleges without graduate programs;
 - d. Institutions staffed with religious faculty.
2. Comparability of States' Ability to Support Higher Education

The basis of financial support available to the comparison institutions should be relatively similar to that of California. Excluded from consideration were:

- a. Institutions in states where the per capita income in 1970 was more than ten percent below the U.S. average. (California's per capita income was approximately 14 percent above the U.S. average.) The criterion was applied to both public and private institutions;
 - b. Institutions in New York City and Washington, D.C., because of the high cost of living and the much higher than average incomes in these cities.
3. Competition for Faculty

Institutions on the comparison list preferably should be institutions from which California State University and Colleges' faculty are recruited or vice versa.

4. Similarity of Functions

The comparison group should include institutions that are among the largest institutions with graduate programs but which do not grant, or grant very few, doctoral degrees.¹ (Nine CSUC campuses are among the 20 largest such institutions in the country.)

5. Fringe Benefits

The comparison institutions should provide fringe benefits, including a retirement program, that vests in the faculty member within five years. This criterion was applied by generally excluding from consideration institutions with nonvesting retirement programs.

- 1. Category IIA in the AAUP report.

6. University of California Comparison Institutions

The comparison group of institutions developed for the California State University and Colleges should not include institutions used by the University of California in determining its faculty compensation.

7. Acceptance as Comparison Institution

The comparison institutions preferably should be institutions that have been accepted previously for the purpose of comparing faculty salaries in the California State University and Colleges.

8. Senior or Tenured Faculty

The comparison group of institutions should have a faculty mix ratio in their upper two ranks that is similar to the ratio of faculty in the upper two ranks of the California State University and Colleges.

REFERENCE

American Association of University Professors. "The Annual Report on the Economic Status of the Profession, 1983-84." Academe, 70:2 (July-August 1984) entire issue.